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SIPDIS

TREASURY FOR DAVID COHEN AND ANDREW BAUKOL  
TREASURY ALSO FOR SARA AVIEL

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TAGS: [ECON](#) [EFIN](#) [EINV](#) [PREL](#) [KTFN](#) [KWBG](#) [SA](#)

SUBJECT: TREASURY SECRETARY GEITHNER MEETS WITH KING  
ABDULLAH OF SAUDI ARABIA

Classified By: CDA Richard Erdman for reasons 1.4 (B) and (D)

¶1. (S) Summary: On July 14, Treasury Secretary Timothy Geithner visited Saudi Arabia and met with King Abdullah bin Abdulaziz Al Saud in Yanbu, discussing a broad range of topics including commitment to the dollar, the global economic crisis, illicit finance, Israel-Palestine issues, and the G-20. King Abdullah was joined by Dr. Ibrahim Al Assaf (Minister of Finance), His Royal Highness Prince Nayef bin Abdulaziz Al Saud (Minister of Interior), His Highness Prince Faisal bin Abdullah bin Muhammad (Minister of Education), Dr. Hamad Al Bazai (Deputy Minister of Finance), and Dr. Abdulrahman Al Hamidy (Deputy Governor, Saudi Arabian Monetary Agency). Secretary Geithner was accompanied by Charge d'Affaires Ambassador Richard Erdman, Assistant Secretary for Terrorist Financing and Financial Crimes David Cohen, Acting Assistant Secretary for International Affairs Andrew Baukol, and Special Assistant to the Secretary Sara Aviel. End summary.

#### OIL PRICES, INFLATION, AND THE DOLLAR

¶2. (S) King Abdullah opened the meeting by conveying his desire to play a helpful role in world affairs. "If there is a problem, we want to assist in solving it." The Secretary said the President recognized and appreciated the King's readiness to play a helpful role. He said, however, that the U.S. was a large country with global reach, whereas Saudi Arabia was a "small country that tried to do its best for its people." The Secretary said the U.S. appreciated the important stabilizing role the Kingdom was playing in the financial system and in oil markets. "We will do our best, as much as we can," the King replied.

¶3. (S) Geithner said the U.S. was working hard to reform our financial system. We have important responsibilities to the international system, and we take them seriously. He described plans to control the U.S. budget deficit and reiterated our commitment to a strong dollar. King Abdullah stated this was "good news," because "we are so connected to the dollar, we can't leave it." Geithner said he was convinced the dollar would remain the principal reserve currency for some time to come, and this was good for both Saudi Arabia and the U.S. The King confided that "many people tried to convince us to switch, but we insisted on staying with the dollar." Geithner expressed appreciation for the stabilizing role the Kingdom was playing vis-a-vis the dollar.

#### THE GLOBAL ECONOMIC CRISIS

¶4. (S) Geithner told King Abdullah that he spent his days trying to solve the financial crisis. The U.S. was making

some progress on the ground -- the decline was slowing and Asia was doing better.

¶15. (S) King Abdullah said people were afraid to spend money and blamed the media for spreading fear among the public. The King reiterated the importance of restoring confidence around the world, noting we needed only six months to do this. Geithner said we went through a period of excessive risk-taking. Now we had too little. The U.S. must now establish a solid basis for risk-taking. Restoring confidence around the world would be critical to stemming fears, and "we must make the world confident so that it is willing to take risks again."

¶16. (S) While noting we were making progress on economic recovery, the Secretary said the financial system was prone to crisis and that the U.S. had an obligation to the world to restore stability to the system. Geithner indicated it was important to take advantage of the opportunity created by the crisis to put reforms in place. The King readily agreed, noting it was the right time to do this and the U.S. should move in this direction now. He noted that banks around the world should be more careful and disciplined in choosing to whom they lend.

¶17. (S) Geithner agreed we needed to move quickly on financial reform, despite some views in the U.S. that we should wait. He emphasized that the President was working hard to solve the problems that contributed to the crisis. The King said the public would not accept reform before the crisis, but now they will. "The U.S. must start without delay, because it is a leader. The U.S. has to pave the way." Europe, Russia,

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and China are looking to the U.S. in this regard. The King expected the President to succeed, provided Congress was with him.

¶18. (S) King Abdullah expressed hope that financial institutions had "learned their lesson." The King noted that "we have strong confidence in the U.S." The Secretary and the King agreed on the need for continued cooperation between the U.S. and Saudi Arabia. The Secretary noted our close cooperation with the Finance Ministry and Central Bank.

#### EXTREMIST FINANCE AND IRAN

¶19. (S) The Secretary thanked King Abdullah for the Saudi government's efforts to reduce financing to extremists outside the Kingdom. The King said the Kingdom had worked hard to capture extremists, and had gone after the leadership of these groups, but recognized that they still needed to "squeeze" these groups further. The King, nodding to Interior Minister Prince Nayef, gave credit to Prince Nayef, for what had been accomplished in this area and Prince Nayef dutifully responded it had been possible because of the King's support. (COMMENT: Much of the progress that we have seen in Saudi efforts to combat terrorism, including terrorist financing, has been due to the efforts of Prince Nayef's son, Mohammed bin Nayef, the Deputy Interior Minister.) Geithner encouraged the King to intensify and extend their efforts so that extremists "could not find a way around" Saudi enforcement actions.

¶10. (S) On Iran, King Abdullah "wished for Iran what Iran is facing now, opining that "this is what will break the Iranian system." Geithner explained that the USG was working closely with the Europeans and others, especially the Gulf states, to increase economic pressure on Iran, and also noted that it is important to bring along Russia and China as well. The King said that he supported USG efforts to impose economic pressure on Iran, and said that he had heard that the Russians and Chinese will cooperate.

#### AFGHANISTAN AND PAKISTAN; ISRAEL AND PALESTINE

¶11. (S) Geithner expressed his appreciation for the financial support the Kingdom has provided to Afghanistan and Pakistan.

King Abdullah said that the situation in those countries "hurt us a lot." On Middle East peace, the Secretary said the President was working hard to find a solution to the Israeli-Palestinian conflict, and hoped the Kingdom could help on the financial front with the Palestinians. Avoiding a direct response, the King said Israelis and Palestinians had to find a solution. This was in their, our, and the world's interest. King Abdullah noted that the U.S. was not without influence. Israel needed to be pressed. "We know both the Israelis and Palestinians want peace, but the problem is how to satisfy the Palestinian people." Israel had not given any help to the Palestinian Authority, and continued Israeli settlement activity was not encouraging Palestinians to support peace. Abu Mazen was not a weak person, the King commented, but he had not been given anything he could offer the Palestinian people. Geithner agreed it was important to strengthen Abu Mazen's position and his peaceful approach by enabling him to show concrete progress.

KING ABDULLAH UNABLE TO ATTEND G-20 IN PITTSBURGH

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¶12. (S) Geithner said the President really hoped to see the King at the G-20 meeting, because we wanted the G-20 to be a strong organization and felt it would be stronger with Saudi Arabia. The King deeply regretted he would not be able to attend the G-20 meeting in Pittsburgh this September. He was so committed to the inauguration of the King Abdullah University for Science and Technology (KAUST), which was scheduled for the same time frame, and had invited so many international dignitaries to the event, that it simply wasn't possible for him to attend. In this regard, he would love to see the President come for the KAUST inauguration, but understood that that would not be possible. The King concluded the meeting by asking the Secretary to convey his best regards to the President.

¶13. (U) This message was cleared by Secretary Geithner's staff.

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